

## Message Text

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PAGE 01 STATE 060551

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TO AMEMBASSY OTTAWA PRIORITY

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E.O. 11652: N/A

TAGS: ENRG, CA, US

SUBJECT: PRESS BRIEFING ON MARCH 17 ENERGY TALKS

1. AFTER WARNING AGAINST DIRECT QUOTES AND DIRECT ATTRIBUTION, BACKGROUND BRIEFING FOR PRESS AFTER US-CANADA ENERGY TALKS HERE OPENED WITH FOLLOWING STATEMENT TO WHICH PRINCIPALS HAD AGREED.

QUOTE SENIOR OFFICIALS FROM THE US AND CANADA MET TODAY TO DISCUSS A BROAD RANGE OF BILATERAL ENERGY SUPPLY ISSUES INVOLVING OIL, GAS AND COAL.

WE DISCUSSED GENERAL PRINCIPLES AND POSSIBLE MUTUAL BENEFITS WHICH MIGHT BE INVOLVED IN OIL EXCHANGE ARRANGEMENTS, AND THIS HAS PARTICULAR REGARD TO THE PHASE-OUT

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PAGE 02 STATE 060551

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OF CANADIAN OIL EXPORTS TO THE UNITED STATES AND WHETHER OIL EXCHANGE ARRANGEMENTS MIGHT BE BENEFICIAL IN THAT PARTICULAR CONNECTION. WE AGREED TO ESTABLISH A TECHNICAL WORKING GROUP WHICH WILL EXAMINE--GATHER INFORMATION AND EXAMINE THESE POSSIBLE EXCHANGE ARRANGEMENTS. THEY WILL BEGIN THEIR WORK WITHIN THE NEXT TWO WEEKS, AND THEY WILL REPORT TO THE TWO GOVERNMENTS AS SOON AS POSSIBLE. A FURTHER MEETING WILL BE SCHEDULED AT THE SENIOR LEVEL TO REVIEW THE REPORT OF THE WORKING GROUP, TO DISCUSS AN AGREEMENT ON GENERAL PRINCIPLES WHICH MIGHT APPLY TO COMMERCIAL OIL EXCHANGE ARRANGEMENTS WHICH MIGHT BE OF MUTUAL INTEREST.

AND THEN APART FROM THE QUESTION OF OIL EXCHANGES, WE TALKED ABOUT THE PROSPECTS FOR ENERGY SUPPLIES IN THE TWO COUNTRIES AND FOR GAS EXPORTS FROM CANADA, IMPORTS TO THE UNITED STATES, AND COAL TRADE AS WELL. END QUOTE.

2. FOLLOWING POINTS MADE IN SUBSEQUENT QUESTIONS AND ANSWERS: (A) CRUDE OIL: BASIC CONCEPT OF EXCHANGE IS FOR CANADA TO CONTINUE TO SUPPLY OIL TO REFINERIES DEPENDENT ON CANADIAN OIL, IN EXCHANGE FOR OIL SUPPLIED ELSEWHERE TO CANADA. THIS PRINCIPLE IS COMPLICATED BY NUMEROUS FACTORS INCLUDING TYPES OF OIL REQUIRED, COMMERCIAL ARRANGEMENTS NECESSARY, AND NUMBER AFFIRMS INVOLVED. INDUSTRY WOULD TAKE LEAD; GOVERNMENT ROLE SEEN AS ENCOURAGING AND FACILITATING SUCH ARRANGEMENTS. (B) COAL: ALTHOUGH COAL WAS DISCUSSED, AND US SUPPLIES APPEAR SUFFICIENT FOR EXPORT, THERE WAS NO SUGGESTION OF QUID PRO QUO IN EXPORTS. (C) NATURAL GAS: US MADE CLEAR ITS VIEW THAT ANY NECESSARY GAS SUPPLY CURTAILMENTS SHOULD BE PRO RATA. CANADA ACKNOWLEDGED IT IS CONSCIOUS OF US CONCERN. ASKED ABOUT ETHICAL IMPLICATIONS OF CURTAILING GAS EXPORTS DESPITE CONTRACTS, CANADIAN OFFICIAL TOLD NEWSMEN THAT NATIONAL ENERGY BOARD STATUTORILY BOUND TO LICENSE EXPORTS ONLY IF THEY ARE EXCESS TO DOMESTIC NEEDS. INGERSOLL

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